

A photograph of a W.T. Grant store exterior. The building is constructed of brick and features large, orange, three-dimensional letters spelling "GRANT'S" across the top. In the foreground, a man and a woman are smiling and looking towards the camera. The man is wearing a dark suit and a yellow name tag. The woman is wearing a dark top and a yellow name tag. In the background, a light-colored classic car is parked in front of the store entrance. Several flags are flying on poles above the building.

GRANT'S

W.T. Grant company annual report 1972

grant stores are...

PLANNED to serve a broad spectrum of consumers and to appeal to those who budget spending carefully.

LOCATED in communities where Grant merchandise and services are in greatest demand, with neighboring merchants whose goods or services complement our dominant store.

DESIGNED simply, attractively and functionally, for maximum customer shopping convenience and efficiency.

MANAGED economically to give good customer service through efficient and courteous personnel, neat and orderly stores, convenient self-selection, speedy check-outs, and necessary services.

MERCHANDISED promotionally to feature broad assortments of quality goods for the average American family.

COMMITTED wholeheartedly to back up our Policy "Satisfaction Guaranteed".

highlights

	1972	1971
Sales	\$1,644,747,319	\$1,374,811,791
Net earnings	\$ 37,787,066	\$ 35,212,082
Per common share	\$2.70	\$2.51
Average number of common shares outstanding	13,882,138	13,874,902
Dividends paid per preferred share	\$3.75	\$3.75
Dividends paid per common share	\$1.50	\$1.50
Total dividends paid	\$ 21,141,362	\$ 21,139,434
Earnings retained in the business	\$ 16,645,704	\$ 14,072,648
Depreciation and amortization	\$ 12,004,268	\$ 10,576,708
Capital expenditures	\$ 26,983,000	\$ 26,476,000
Employee compensation and benefits	\$ 397,133,721	\$ 336,311,735
Cents per sales dollar	24.1¢	24.5¢
Merchandise inventories	\$ 399,532,793	\$ 298,676,170
Net fixed assets	\$ 91,419,748	\$ 77,173,498
Long-term debt	\$ 126,672,000	\$ 128,432,000
Book value common stock—per share	\$23.25	\$22.33
Number of preferred stockholders	625	675
Number of common stockholders	20,211	19,045
Number of stores	1,208	1,168

THE STORE GROWTH PROGRAM 1968 THROUGH 1972

	Number of New Stores Opened	Number of Stores Enlarged	Capital Expenditures
1972	92	5	\$26,983,000
1971	83	5	26,476,000
1970	65	8	15,995,000
1969	52	3	13,668,000
1968	41	11	10,625,000
Totals	333	32	\$93,747,000

To Our Stockholders:

We are pleased to report that the year 1972 was one in which the W. T. Grant Company made significant progress. A 19.6% sales gain over the previous year was the highest percentage sales increase the Company had achieved in the past forty-four years, and it marked the 23rd year of successive sales gains. The expanded promotional emphasis program initiated in January, 1972 was the main contributing factor to our strong sales performance. Sales impetus built steadily throughout the year and accelerated in the final half of the year when monthly sales increases exceeded 20% in every month from August through January. As a result the final quarter reached record levels in both sales and earnings.

The following programs were carried out as planned:

- New store expansion was maintained at what we presently feel is the optimum level for the Company of approximately 7 million gross square feet per year.
- As a group, full line stores opened in previous years showed continued sales and earnings increases.
- Strong sales gains in all big ticket hardline items were achieved as more customers sought out Grants for such purchases.
- Everyday promotional pricing of selected, easily recognizable items reinforced our value image with continuing customers and attracted new customers.
- Initial graduates from an accelerated and more concentrated Managers' Training Program were appointed to Store Manager positions and are functioning capably in these posts.

The following are detailed comments:

SALES—Sales totalled \$1,644,747,319, an increase of 19.6% over last year.

Starting in January, 1973, the Company embarked on a new program whereby all full line shopping center stores—those over 50,000 square feet—were designated Grant City stores. During the year the Grant City name will be placed on these store fronts. An entirely separate advertising program has been developed for these full line Grant City stores so that they may be more readily identified by the shopping public from the smaller Grant convenience stores which carry more limited lines of merchandise. At the end of 1972 the Company operated 464 Grant City sized stores. All stores opened in 1973 will be full line Grant City units.

EARNINGS—Our strong sales trend, at a reduced gross margin, caused by the lower pricing of our stepped-up promotional emphasis program, produced earnings of \$37,787,066 or \$2.70 per common share, compared with \$35,212,082 or \$2.51 per share for last year. Fourth quarter profits were a record as this quarter received the greatest benefit from our increasing sales trend.

DIVIDENDS—Dividends of \$1.50 per share on the Common Stock and \$3.75 per share on the Preferred Stock were paid in 1972, the same amounts as paid in 1971. The Company has earned a profit and paid dividends in every year since its start in 1906.

FINANCIAL COMMENTS—Merchandise inventories including merchandise in transit to our stores and distribution facilities amounted to \$399,533,000, and are in good relationship to planned sales.

Short-term debt totalled \$390,034,000, which was \$166,057,000 less than the year end balance of customers' installment accounts receivable.

GROWTH PROGRAM—In 1972 the Company opened ninety-two new stores and enlarged five successful units, with 7,070,000 gross square feet of new store space put into operation. Fifty-two smaller stores were closed during the year, and at year end we had 1,208 stores.

Construction will start approximately April 1, 1973 on a new 475,000 square foot prototype distribution center in Windsor Locks, Connecticut to replace the smaller facility presently in use nearby.

During the year the Company entered into a joint venture agreement with Jewelcor Incorporated to open and operate catalog showroom stores under the name of GranJewel Jewelers & Distributors, Inc. In 1973, the Company plans to pursue an aggressive expansion program in this new avenue of retailing for Grants.

ZELLER'S LIMITED—Our Canadian affiliate had a fine performance in 1972. Sales totalled \$252,701,343, a 25.4% increase over the previous year. Earnings were \$10,257,820 compared to \$7,821,074 the previous year.

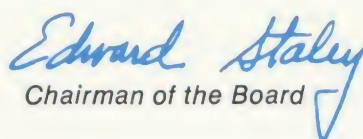
The highlights of Zeller's financial position:

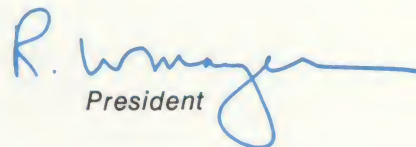
	1972	1971
Assets	\$122,050,661	\$94,256,059
Liabilities	65,756,394	44,334,181
Stockholders Equity	56,294,267	49,921,878

It is with deep regret that the Company records the death of its Founder and Honorary Chairman of the Board, William Thomas Grant. This magnificent pioneer of retailing leaves us a splendid heritage upon which we will continue to build.

The Company is grateful to its employees and suppliers for their contribution to performance, and to our customers for their support throughout the year. We welcome our new stockholders and appreciate the loyalty of our continuing stockholders.

For 1973 we expect to maintain a strong sales trend and have a good year. We are confident that our full line Grant City stores will continue to mature and substantially contribute to increased sales and profit.


Chairman of the Board


President

grants . . . a name with many faces

Located in upward of 1,000 communities in 43 States are more than 1,200 Grant stores. Each is dedicated to serving America's families by offering outstanding merchandise values in popular priced lines.

Grant stores range in size from 20,000 to 180,000 square feet and, to the casual observer, each might seem quite different from the next. Different they are, but not by chance. For within three basic categories—downtown, convenience, and full line—each Grant store is tailored to meet the needs of its particular community. Included in the Grant marketing plan are the 219 stores in downtown locations, which cater to the urban dwellers and office workers. Successful over the years, they have been enlarged and modernized in an ongoing program to maintain their competitive appeal in their bustling communities.

The remaining categories of stores are located in shopping centers which provide ample free parking. The smaller Grant shopping center stores are in convenience neighborhood-type centers and are geared to merchandising the bulk of their assortments in everyday family needs. The larger Grant City shopping center stores carry full lines of fashion apparel and a wide range of goods for the home which include major appliances, furniture, rugs, home improvement needs, cameras, garden supplies and automotive accessories.

Indicative of the growth and vitality of the Company is the fact that over 50% of its total square footage of stores in operation today is five years old or less. And although the Company has grown and keeps in step with customer's needs, each store, large or small, still proudly displays the Grants or Grant City name over its doorways—known for values for 66 years!

In the following pages, we take you on a capsule tour of various stores to show you how today's Grant stores meet the needs of our growing family of shoppers across the nation, wherever they may live or work.





grants . . . a traditional downtown landmark

Traffic is what every retailer thrives on. To him, it is the flow of customers through his store. And there are few locations which will draw more traffic than the heart of a viable metropolitan business and shopping area.

Philadelphia is a case in point. Grants, at the corner of Market and Eleventh Street since 1924, serves millions of customers each year. It is, to many Philadelphians, as familiar a landmark as is Independence Hall several blocks to the East. To this downtown community each weekday come the hundreds of thousands of persons who work in the immediate area. They, and additional shoppers pouring out of mass transit facilities, combine to fill its bustling streets.

At Grants, stenographers and businessmen brush shoulders with housewives and tourists, in aisles that are nearly always filled with customers. The vitality of Philadelphia, like that of so many other downtown metropolitan areas, continues to flourish and play a vital and integral part in Grants operations. To name a few: New Orleans, Pittsburgh, Buffalo, St. Paul, Atlanta, Houston, Providence, Boston and Hartford. Downtown Grant stores in many of these communities have been serving Grant customers for close to fifty years, and in each of these cities the downtown stores have served as the nucleus for expansion of Grant shopping center stores into outlying suburbs.





grants convenience stores... filling everyday needs

For millions of American suburban families, the most familiar stores are not on Main Street's downtown shopping area but, rather, in the local shopping center which provides plenty of parking space and is easily accessible with the family car. It's here that each of the more than 500 local Grants convenience stores, catering to the basic everyday needs of the family, are located. With few exceptions, Grant shares the center's space with the supermarket where the family's food shopping is done, and with smaller shops providing additional goods and services.

The convenience store's role varies with the community it serves. In some suburban and rural areas, the store, though small by today's standards, is often the largest store within quite some distance, and is one of the few retail outlets in the community where a diverse assortment of basic merchandise is available in quantity under one roof. In more populous urban and suburban areas, it is most frequently one of a cluster of Grant stores which form a major network serving the population. But in either instance, the Grant convenience store is appreciated by customers for providing reasonably priced quality merchandise.





Curtains or drapes? Most housewives will tell you that the assortment in Grants is more complete than most of the largest stores in town—and more reasonably priced. Hosiery, underwear, complete back-to-school outfits, the latest in cookware? It's right there at Grants in enough variety to suit almost any taste. Need paint for redecorating the bedroom...the shade of lipstick that's all the rage...a toy for junior...a portable TV for grandma...or a dress shirt for dad? Again, there's no need to travel far afield when there's a Grants convenience store nearby.

In the more than two decades in which Grants has operated convenience shopping center stores, the Company's reputation for excellence in goods and services has become wider-spread. The convenience stores have supplied the impetus and the springboard for the Company's more recent expansion into even bigger, full line Grant City shopping center stores. So, when Grant customers decide it's time for a new refrigerator, or are in the market for a family-sized swimming pool, they'll travel the extra ten or twenty minutes to one of the larger Grant City stores to make the purchase—because, a Grant customer, is a satisfied customer.





grant city... the full line suburban store

In the mid-1960's the Company embarked on a program of opening larger shopping center stores which would provide the vast assortment of goods and services required by the home owner—each store a veritable city of merchandise—a Grant City. In 1967 there were 102 such full line stores in operation. In the five ensuing years, all new store construction was focused on these larger Grant stores, so that by the end of fiscal 1972 there were 464 full line stores in operation, accounting for well over 50% of the Company's sales.

Late in 1972 the Grant City name was selected to distinguish the full line stores from other operations. In 1973, all full line stores will feature the Grant City name in their advertisements and will be switching to this name over their store fronts.

Convenience stores are the frame on which we built, and the training ground for management of larger stores. The Grant City stores, which range in size from 50,000 to 180,000 square feet, are the Company's muscle and growth tissue and the testing grounds of new merchandise lines and display techniques. Indicative of Grants





success with its bigger, full line Grant City stores, and the merchandise they feature, is the fact that the Major Appliance Department was, in 1972, the Company's leading sales volume producer.

Extensive growth in sales is also evident in many other merchandise lines which just one decade ago were not available in depth in the Company's stores. These include: furniture and floor coverings; garden shops featuring power mowers as well as trees and shrubs; home improvement lines for the do-it-yourselfer; automotive supplies and services; sporting goods for enthusiasts of almost any leisure-time activity. Suits, sports jackets and slacks are available in the extensive Men's Wear Departments. The ladies of the house will find the most up-to-date apparel selections in the Sportswear, Junior Shop, and Fashion Departments. An array of fashion accessories, shoes and outerwear is on hand to complement any ensemble.

Grant City is the rapidly growing arm of the W. T. Grant Company—a Company which continues to be receptive to important changes enabling it to meet the needs of American consumers.



W. T. Grant Company and consolidated subsidiaries

January 31,

ASSETS

CURRENT ASSETS

	1973	1972
Cash, including at January 31, 1972, short-term securities of \$13,001,173 at cost (approximate market)	\$ 30,943,099	\$ 49,850,784
Accounts receivable—Note H		
Customers' installment accounts	556,091,352	493,858,641
Less allowance for doubtful accounts and unearned credit insurance premiums	24,538,014	28,162,996
	531,553,338	465,695,645
Other accounts receivable, claims, etc.	11,198,027	11,628,424
Total accounts receivable, net	542,751,365	477,324,069
Merchandise inventories (including merchandise in transit)—at the lower of cost or market determined principally by the retail inventory method	399,532,793	298,676,170
Prepaid taxes, rents, supplies, etc.	6,648,311	5,377,635
TOTAL CURRENT ASSETS	979,875,568	831,228,658

OTHER ASSETS

Investment in Zeller's Limited, at equity—Note A	26,948,675	23,587,209
Zeller's Limited 5½% Convertible Debentures, at cost	5,951,109	5,951,109
Investment in GranJewel Jewelers & Distributors, Inc., at equity—Note A	2,081,319	—
Other	600,000	2,828,645
TOTAL OTHER ASSETS	35,581,103	32,366,963

COMMON STOCK OF W. T. GRANT COMPANY

145,400 shares, at cost, held for Deferred Contingent Compensation Plan—Note C	2,381,044	2,381,044
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STORE PROPERTIES, FIXTURES AND IMPROVEMENTS— on the basis of cost

Buildings	1,295,488	763,995
Furniture & fixtures	126,670,880	112,382,053
Improvements to leased properties	10,640,270	9,239,563
	138,606,638	122,385,611
Less allowance for depreciation and amortization	47,926,186	46,199,995
	90,680,452	76,185,616
Land	739,296	987,882
TOTAL STORE PROPERTIES, FIXTURES AND IMPROVEMENTS	91,419,748	77,173,498

UNAMORTIZED DEBT EXPENSES—Note A	1,440,144	1,519,580
	\$1,110,697,607	\$994,669,743

statement of financial position

January 31,

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

	1973	1972
Short-term notes payable	\$ 380,033,500	\$227,740,700
Bank loans	10,000,000	10,000,000
Accounts payable	78,789,038	94,676,607
Salaries, wages and bonuses	18,999,960	15,674,733
Taxes withheld from employees compensation	2,194,696	1,468,217
Taxes other than Federal income taxes	4,432,879	3,692,763
Federal income taxes payable	8,480,036	9,477,256
Deferred credits, principally income taxes related to installment sales—Note A	130,137,144	112,846,308
TOTAL CURRENT LIABILITIES	633,067,253	475,576,584

OTHER LIABILITIES

Long-term debt—Note D	126,672,000	128,432,000
Deferred Federal income taxes—Note A	11,925,657	9,663,530
Deferred contingent compensation	2,394,131	2,452,535
Other	2,300,000	2,800,000
TOTAL OTHER LIABILITIES	143,291,788	143,348,065

CAPITAL—Notes A and F:

Capital Stock:

Cumulative Preferred—\$100 par value:		
Authorized 250,000 shares		
Issued 85,998 and 90,530 shares, respectively, of 3¾ % series	8,599,800	9,053,000
Common—\$1.25 par value:		
Authorized 22,500,000 shares		
Issued 14,870,198 and 14,823,394 shares, respectively	18,587,748	18,529,243
Paid-in capital	84,717,986	83,963,834
Amounts paid by employees under purchase contracts for Common Stock	1,429,077	1,231,674
Earnings retained for use in the business	261,153,443	244,507,739
	374,488,054	357,285,490
Less 876,794 and 655,009 shares, respectively, of treasury Common Stock, at cost	40,149,488	31,540,396
TOTAL CAPITAL	334,338,566	325,745,094

LEASES—Note G

	<u>\$1,110,697,607</u>	<u>\$944,669,743</u>
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(See notes to financial statements.)

W. T. Grant Company and consolidated subsidiaries

statement of operations

Year ended January 31,

	1973	1972
Sales	\$1,644,747,319	\$1,374,811,791
Income from concessions	3,752,866	3,438,795
	<u>1,648,500,185</u>	<u>1,378,250,586</u>
Cost of merchandise sold, buying and occupancy costs	1,125,261,115	931,237,312
	<u>523,239,070</u>	<u>447,013,274</u>
Selling, general and administrative expenses—Note H	444,377,306	373,815,889
	<u>78,861,764</u>	<u>73,197,385</u>
Other income:		
Interest earned—Note H	602,218	932,976
Miscellaneous	585,766	600,584
	<u>1,187,984</u>	<u>1,533,560</u>
	80,049,748	74,730,945
Other deductions:		
Interest expense—Note H	21,127,084	16,451,635
Miscellaneous	501,205	518,187
	<u>21,628,289</u>	<u>16,969,822</u>
Earnings before Federal income taxes	58,421,459	57,761,123
Provision for Federal income taxes—Note A:		
Current	9,587,711	13,487,400
Deferred	16,162,289	13,012,600
	<u>25,750,000</u>	<u>26,500,000</u>
Earnings before unconsolidated subsidiaries	32,671,459	31,261,123
Equity in net earnings of unconsolidated subsidiaries:		
Zeller's Limited, (including dividends received of \$1,712,822 and \$1,568,222, respectively)	5,074,288	3,950,959
GranJewel Jewelers & Distributors, Inc.	41,319	—
	<u>5,115,607</u>	<u>3,950,959</u>
NET EARNINGS	<u>\$ 37,787,066</u>	<u>\$ 35,212,082</u>
NET EARNINGS PER COMMON SHARE—Note B	<u>\$2.70</u>	<u>\$2.51</u>

(See notes to financial statements.)

W. T. Grant Company and consolidated subsidiaries

statement of capital

for the two years ended January 31, 1973

	Cumulative Preferred Stock	Common Stock	Paid-in Capital	Payments by employees under stock purchase contracts	Earnings retained for use in the business	Treasury Common Stock
Balance at February 1, 1971	\$9,600,000	\$18,180,280	\$76,637,378	\$1,478,312	\$230,435,091	(\$34,294,637)
Purchase and cancellation of 5,470 shares of Cumulative Preferred Stock	(547,000)		238,563	7,715,274		
Receipts from employees under stock purchase contracts		248,376	4,959,295	(7,961,912)		2,754,241
Issuance of 198,700 shares of unissued Common Stock and 60,110 shares of treasury Common Stock under Employees' Stock Purchase Plans		100,587	2,128,598		35,212,082	
Conversion of 4% Convertible Subordinated Debentures into 80,470 shares of Common Stock						
Net earnings for the year						
Cash dividends:						
3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share					(345,813)	
Common Stock—Four quarterly dividends of 37½¢ each per share					(20,793,621)	
Balance at January 31, 1972	9,053,000	18,529,243	83,963,834	1,231,674	244,507,739	(31,540,396)
Purchase of 284,140 shares of treasury Common Stock						(11,466,198)
Purchase and cancellation of 4,532 shares of Cumulative Preferred Stock	(453,200)		201,609			
Receipts from employees under stock purchase contracts				3,491,518		
Issuance of 40,525 shares of unissued Common Stock and 62,355 shares of treasury Common Stock under Employees' Stock Purchase Plans		50,656	386,353	(3,294,115)		
Conversion of 4% Convertible Subordinated Debentures into 6,279 shares of Common Stock		7,849	166,190			
Net earnings for the year					37,787,066	
Cash dividends:						
3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾¢ each per share					(334,709)	
Common Stock—Four quarterly dividends of 37½¢ each per share					(20,806,653)	
Balance at January 31, 1973	\$8,599,800	\$18,587,748	\$84,717,986	\$1,429,077	\$261,153,443	(\$40,149,488)

(See notes to financial statements.)

statement of changes in financial position

	Year ended January 31,	
	1973	1972
Source of Funds:		
From operations:		
Net earnings	\$ 37,787,066	\$ 35,212,082
Less increase in the undistributed equity in unconsolidated subsidiaries	3,402,785	2,382,737
	<u>34,384,281</u>	<u>32,829,345</u>
Plus charges to income not affecting working capital:		
Depreciation and amortization	12,004,268	10,576,708
Increase in deferred Federal income taxes	2,262,127	1,145,479
Decrease in other liabilities	(558,404)	(520,638)
Total from operations	<u>48,092,272</u>	<u>44,030,894</u>
Sale of Common Stock to employees	3,491,518	7,715,274
Sale of 4¾ % Convertible Subordinated Debentures	—	100,000,000
Common Stock issued upon conversion of 4% Debentures	174,039	2,229,185
Decrease in other assets	2,228,645	—
Total Funds Provided	<u>53,986,474</u>	<u>153,975,353</u>
Application of Funds:		
Dividends to stockholders	21,141,362	21,139,434
Investment in properties, fixtures and improvements	26,250,518	25,917,854
Purchase of treasury Common Stock	11,466,198	—
Purchase of Cumulative Preferred Stock for cancellation	251,591	308,437
Retirement of 4¾ % Sinking Fund Debentures	1,584,000	1,615,000
Investment in GranJewel Jewelers & Distributors, Inc., Common Stock	2,040,000	—
Investment in Zeller's Limited Convertible Debentures	—	5,951,109
Conversion of 4% Convertible Subordinated Debentures	176,000	2,254,000
Unamortized expense upon issuance of debentures	—	1,273,904
Increase (decrease) in sundry accounts—net	(79,436)	46,103
Total Funds Applied	<u>62,830,233</u>	<u>58,505,841</u>
Working Capital Increase (Decrease)	<u>\$ (8,843,759)</u>	<u>\$ 95,469,512</u>
Current Assets Increase (Decrease)		
Cash and short-term securities	\$ (18,907,685)	\$ 15,842,035
Total accounts receivable, net	65,427,296	57,592,943
Merchandise inventories	100,856,623	38,183,841
Other current assets	1,270,676	427,595
	<u>148,646,910</u>	<u>112,046,414</u>
Current Liabilities Increase (Decrease)		
Short-term notes payable and bank loans	152,292,800	(8,679,516)
Accounts payable	(15,887,569)	13,995,151
Salaries, wages and bonuses	3,325,227	160,996
Taxes other than Federal income taxes	740,116	(1,771,842)
Federal income taxes payable	(997,220)	(4,089,684)
Deferred credits principally income taxes related to installment sales	17,290,836	18,357,465
Taxes withheld from employees' compensation	726,479	(1,395,668)
	<u>157,490,669</u>	<u>16,576,902</u>
Working Capital Increase (Decrease)	<u>\$ (8,843,759)</u>	<u>\$ 95,469,512</u>

(See notes to financial statements.)

notes to financial statements

January 31, 1973

NOTE A—SUMMARY OF ACCOUNTING POLICIES

The financial statements include the accounts of the Company and its two wholly-owned subsidiaries, W. T. Grant Financial Corporation and Jones & Presnell Studios, Inc.

The Company carries its investments in Zeller's Limited (a 50.3% owned Canadian subsidiary, cost \$8,893,326) and GranJewel Jewelers & Distributors, Inc. (51% owned, cost \$2,040,000) at equity and has included in net earnings its equity in net earnings of such subsidiaries. Zeller's Limited has consistently followed the policy of distributing approximately 40%-50% of current earnings and permanently reinvesting the remainder. In any event, no U.S. deferred income taxes nor Canadian withholding taxes have been provided on such undistributed earnings, as such taxes would be substantially offset by available foreign tax credits.

For further details as to financial position and results of operations of Zeller's Limited, refer to "To Our Stockholders" elsewhere in this Annual Report.

Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for Federal income tax purposes, such gross profits are reported as income as collections are received. The resulting difference between taxes accrued and taxes actually payable is included as "Deferred credits, principally income taxes related to installment sales".

At January 31, 1973 accumulated depreciation of approximately \$24,801,000 has been deducted for tax purposes in excess of the amount (using the straight-line method) reflected in the financial statements. The resulting tax difference is included in "Deferred Federal income taxes".

Investment credits totalling approximately \$1,750,000 and \$1,000,000 have been deducted (flow-through method) from the provision for Federal income taxes for the years ended January 31, 1973 and 1972, respectively.

The Company has an Employees' Retirement Plan available to all its employees. The amounts charged to operations for the years ended January 31, 1973 and 1972 for this Plan were \$1,261,018 and \$1,258,877, respectively. The Company funds pension costs accrued.

Expenses associated with the opening of new stores are written off in the year of store opening.

Unamortized debt expenses are being amortized over the lives of the debentures by the "bonds-outstanding method".

NOTE B—NET EARNINGS PER COMMON SHARE

Net earnings per share of common stock (equivalent to fully diluted), after deduction of dividends on Preferred Stock, have been determined based upon the average number of shares outstanding during each year.

NOTE C—DEFERRED CONTINGENT COMPENSATION AND EXECUTIVE BONUS PLANS

The amount charged to operations for the Deferred Contingent Compensation Plan was \$650,000 and \$700,000 for the years ended January 31, 1973 and 1972, respectively.

The amount charged to operations for the Executive Bonus Plan, in which all executives participate, was \$4,803,365 and \$4,311,566 for the years ended January 31, 1973 and 1972, respectively.

NOTE D—LONG-TERM DEBT

	January 31, 1973	1972
4¾% Convertible Subordinated Debentures dated April 15, 1971 and due April 15, 1996	\$100,000,000	\$100,000,000
4¾% Sinking Fund Debentures dated January 1, 1962 and due January 1, 1987 (annual sinking fund payment of \$1,500,000)	25,576,000	27,160,000
4% Convertible Subordinated Debentures dated June 1, 1965 and due June 1, 1990	1,096,000	1,272,000
	<u>\$126,672,000</u>	<u>\$128,432,000</u>

As of January 31, 1973 and 1972, 39,142 and 45,428 shares respectively of Common Stock of the Company were reserved for conversion of the 4% Convertible Subordinated Debentures at the conversion price of \$28 a share. In addition, at January 31, 1973 and 1972, 1,369,863 shares were reserved for conversion of the 4¾% Convertible Subordinated Debentures, at the conversion price of \$73 a share.

NOTE E—FEDERAL INCOME TAXES

Federal income tax returns of the Company have been examined by the Internal Revenue Service through January 31, 1969. Certain adjustments proposed by the Internal Revenue Service for the years January 31, 1964 through January 31, 1969 which remain open, and which, in the opinion of management, would have no significant effect upon the financial statements, have been successfully defended in the Tax Court. This decision has been appealed by the Internal Revenue Service.

NOTE F—CAPITAL

The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at \$100 per share.

At January 31, 1973 and 1972, 289,615 and 372,750 shares, respectively, of the Company's unissued Common Stock were reserved under the 1960 Employees' Stock Purchase Plan. An additional 1,000,000 shares of unissued Common Stock has been reserved under the 1970 Employees' Stock Purchase Plan. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved for conversion of debentures as previously noted, 145,400 shares of issued Common Stock at January 31, 1973 and 1972, were held for the Deferred Contingent Compensation Plan.

Notes to financial statements (continued)

NOTE G—LEASES

The Company is lessee of real property, principally operating stores, under leases requiring minimum annual rentals (plus taxes, other expenses and percentage rentals under the terms of certain of the leases which for the year ended January 31, 1973 amounted to \$6,798,000). Minimum annual rentals under existing leases follow:

Year ended January 31,	Minimum Annual Rentals	
	Percentage Rental Leases	Total
1974	\$72,843,000	\$89,173,000
1975	72,045,000	88,124,000
1976	70,659,000	86,397,000
1977	68,198,000	83,521,000
1978	65,336,000	80,229,000

NOTE H—ACCOUNTS RECEIVABLE AND INTEREST

Unearned credit insurance premiums amounted to \$8,768,405 and \$12,413,436 at January 31, 1973 and 1972, respectively.

Finance charges on customers' installment accounts, included as a reduction of selling, general and administrative expenses, amounted to approximately \$76,826,000 and \$71,881,000 for the years ended January 31, 1973 and 1972, respectively. Pro forma interest expense and operating expenses related to the credit operations exceeded finance charges to customers.

Customers' installment accounts range in maturities up to 36 months, with finance charges, where appropriate, ranging up to an annual percentage rate of approximately 18%.

Interest earned for the years ended January 31, 1973 and 1972 includes \$267,281 and \$124,988, respectively, on the Zeller's Limited 5½ % Convertible Debentures. For the years ended January 31, 1973 and 1972, interest expense on long-term debt amounted to \$6,070,375 and \$5,129,733, respectively.

ACCOUNTANTS' REPORT

Board of Directors and Stockholders
W. T. Grant Company
New York, N.Y.

We have examined the consolidated financial statements of the W.T. Grant Company and consolidated subsidiaries for the years ended January 31, 1973 and 1972. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements of financial position, operations, capital and changes in financial position present fairly the consolidated financial position of the W. T. Grant Company and consolidated subsidiaries at January 31, 1973 and 1972 and the consolidated results of their operations, changes in capital and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



New York, N.Y.
March 16, 1973

comparative statement of operations

(amounts in 000's) (years ended January 31 of subsequent years)

	1972	1971	1970	1969	1968
Sales	\$1,644,747	\$1,374,812	\$1,254,131	\$1,210,918	\$1,096,152
Income from concessions	3,753	3,439	4,985	3,748	2,873
	1,648,500	1,378,251	1,259,116	1,214,666	1,099,025
Cost of merchandise sold and operating expenses	1,569,638	1,305,053	1,172,960	1,124,300	1,018,548
	78,862	73,198	86,156	90,366	80,477
Interest and other income	1,188	1,533	1,476	1,615	1,362
Less: interest expense and other deductions	21,628	16,970	19,430	15,504	10,303
Earnings before Federal income taxes	58,422	57,761	68,202	76,477	71,536
Provision for Federal income taxes	25,750	26,500	32,800	38,000	36,280
	32,672	31,261	35,402	38,477	35,256
Equity in net earnings of unconsolidated subsidiaries	5,115	3,951	4,175	3,332	2,927
NET EARNINGS	\$ 37,787	\$ 35,212	\$ 39,577	\$ 41,809	\$ 38,183
NET EARNINGS PER COMMON SHARE	\$2.70	\$2.51	\$2.87	\$2.99	\$2.71

comparative statement of financial position

(amounts in 000's) (at January 31 of subsequent years)

	1972	1971	1970	1969	1968
ASSETS:					
Cash and securities	\$ 30,943	\$ 49,851	\$ 34,009	\$ 32,977	\$ 25,639
Net accounts receivable	542,751	477,324	419,731	368,267	312,776
Merchandise inventories	399,533	298,676	260,492	222,128	208,623
Prepaid expenses	6,649	5,378	4,950	5,037	4,402
TOTAL CURRENT ASSETS	979,876	831,229	719,182	628,409	551,440
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	29,030	23,587	21,204	17,992	15,908
PROPERTIES, FIXTURES AND IMPROVEMENTS	91,420	77,173	61,832	55,311	49,931
OTHER ASSETS	10,372	12,681	5,410	5,083	4,830
TOTAL ASSETS	\$1,110,698	\$944,670	\$807,628	\$706,795	\$622,109
LIABILITIES:					
Notes payable and bank loans	\$ 390,034	\$237,741	\$246,420	\$182,132	\$118,125
Accounts payable	104,416	115,513	104,524	94,584	85,099
Federal taxes payable	8,480	9,477	13,567	9,560	16,981
Deferred credits (taxes)	130,137	112,846	94,489	80,443	65,073
TOTAL CURRENT LIABILITIES	633,067	475,577	459,000	366,719	285,278
LONG-TERM DEBT	126,672	128,432	32,301	35,402	43,251
DEFERRED FEDERAL INCOME TAXES	11,926	9,664	8,518	8,287	7,941
OTHER LIABILITIES	4,694	5,252	5,773	5,699	5,518
CAPITAL:					
Cumulative Preferred Stock	8,600	9,053	9,600	11,450	13,250
Common Stock	64,586	72,184	62,001	67,559	77,264
Earnings retained for use in the business	261,153	244,508	230,435	211,679	189,607
TOTAL LIABILITIES AND CAPITAL	\$1,110,698	\$944,670	\$807,628	\$706,795	\$622,109

other items

	1972	1971	1970	1969	1968
Number of stores	1,208	1,168	1,116	1,095	1,092
Pre-tax earnings per sales dollar	3.6¢	4.2¢	5.4¢	6.3¢	6.5¢
Dividends per common share	\$1.50	\$1.50	\$1.50	\$1.40	\$1.30
Working Funds*—in 000's	\$476,946	\$468,498	\$354,671	\$342,133	\$331,235
Working Funds Ratio**	1.9	2.3	2.0	2.2	2.5
Net Worth—in 000's	\$334,339	\$325,745	\$302,036	\$290,688	\$280,121
% earned on net worth	11.3	10.8	13.1	14.4	13.6

*Working Funds consist of current assets less current liabilities, excluding deferred credits for taxes related to installment sales.

**Working Funds Ratio is the ratio between current assets and current liabilities excluding deferred credits.

the 1972 new store opening program

With the increase of the new store opening program, we have received inquiries as to the locations where we are opening new units. The following tabulation indicates, by state and community, the location of each of the 92 new stores opened during 1972.

The total program in any given year is the result of the individual selection of each new store site based upon its emergence as a new market for one of our three prototype stores.

ALABAMA	3	INDIANA	5	NEW JERSEY	3
Albertville		Elwood		Glassboro	
Eufaula		Frankfort		Haddon Township	
Prattville		Plymouth		South Plainfield	
ARIZONA	1	Richmond			
Casa Grande		Seymour		NEW YORK	6
CALIFORNIA	6	IOWA	1	Amsterdam	
Hemet		Sioux City		Hamburg	
Madera		KENTUCKY	1	Macedon	
Manteca		Madisonville		Nedrow	
Sacramento		LOUISIANA	2	Ogdensburg	
Tulare		Bossier City		Port Jervis	
Turlock		Shreveport		OHIO	5
CONNECTICUT	4	MAINE	1	Chardon	
Avon-Simsbury		Portland		Fostoria	
Barkhamsted		MASSACHUSETTS	4	Kent-Ravenna	
Bristol		Bridgewater		Massilon	
Ridgefield		North Reading		Salem	
DELAWARE	1	Somerset		PENNSYLVANIA	10
New Castle		Sturbridge		Corapolis	
FLORIDA	5	MICHIGAN	9	East Stroudsburg	
Homestead		Albion		Erie	
Miami		Cadillac		Honesdale	
Sarasota		Ionia		Huntingdon	
Stuart		Ludington		Meadville	
Venice		Manistee		New Castle	
GEORGIA	8	Niles		New Kensington	
Americus		Sterling Heights		Souderton	
Atlanta		Traverse City		York	
Cartersville		Utica		RHODE ISLAND	2
Cedartown		MISSISSIPPI	1	Warren	
Marieta		Greenville		Woonsocket	
Moultrie		NEBRASKA	1	TENNESSEE	3
Perry		Bellevue		Cookeville	
Thomaston		NEW HAMPSHIRE	1	Knoxville	
ILLINOIS	2	Derry		Lawrenceburg	
Cahokia		VIRGINIA	6	WEST VIRGINIA	1
Pontiac		Eagleville		New Martinsville	
		Henrico			
		Portsmouth			
		Pulaski			
		Richmond			
		South Hill			

W. T. Grant Company

EXECUTIVE AND BUYING OFFICES 1515 BROADWAY, TIMES SQUARE, NEW YORK, N. Y. 10036

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